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#### HEADS OF DEPARTMENTS AND AGENCIES

The Federal Financial Management Improvement Act (FFMIA) of 1996 requires, among other things, that agencies implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and in Office of Management and Budget (OMB) Circular A-127, *Financial Management Systems*, and OMB's *Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996*, issued September 9, 1997. JFMIP intends for the requirements to promote understanding of key financial management systems concepts and requirements, to provide a framework for establishing integrated financial management systems to support program and financial managers, and to describe specific requirements of individual types of financial management systems.

We are issuing this checklist that reflects JFMIP's revised *Guaranteed Loan System Requirements* (March 2000) to assist (1) agencies in implementing and monitoring their guaranteed loan systems and (2) managers and auditors in reviewing their guaranteed loan systems to determine if they substantially comply with FFMIA. This checklist is not required to be used in assessing the guaranteed loan system. It is provided as a tool for use by experienced staff. This checklist, the JFMIP source document, and the two previously mentioned OMB documents should be used concurrently. Experienced judgment must be applied in the interpretation and application of this tool to enable a user to consider the impact of the completed checklist on an entire guaranteed loan system and whether the system, as a whole, substantially complies with requirements.

Additional copies of the exposure draft can be obtained from Room 1100, 700 4th Street NW, U.S. General Accounting Office, Washington, DC 20548, or by calling (202) 512-6000, or TDD (202) 512-2537. This exposure draft replaces GAO's previously issued exposure draft of the *Guaranteed Loan System Checklist* (December 1997) and is available on the Internet on GAO's Home Page ([www.gao.gov](http://www.gao.gov)) under "Other Publications." Please send comments by October 31, 2000, to Bruce Michelson, Assistant Director, Corporate Audits and Standards, Accounting and Information Management Division, at

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August 2000

# GUARANTEED LOAN SYSTEM REQUIREMENTS

## Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act



GAO

Accountability \* Integrity \* Reliability

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### Abbreviations

CAIVRS	Credit Alert Interactive Voice Response System
CFO	chief financial officer
CM	configuration management
COTS	commercial off-the-shelf
DOJ	Department of Justice
FCRA	Federal Credit Reform Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Service
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
NPR	National Performance Review
OGC	Office of the General Counsel
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SF	standard forms
SFFAS	Statement of Federal Financial Accounting Standards
SSN	Social Security Number
TIN	taxpayer identification number
TOP	Treasury offset program

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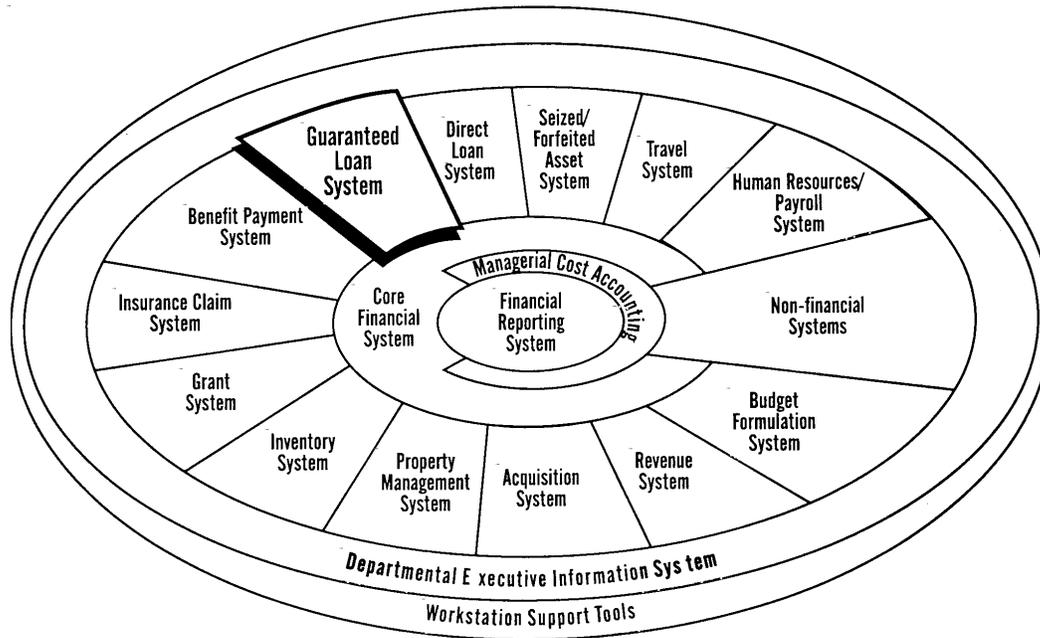
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## OVERVIEW

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The Federal Financial Management Improvement Act (FFMIA) of 1996 requires, among other things, that agencies implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These system requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP)<sup>1</sup> and Office of Management and Budget (OMB) Circular A-127, *Financial Management Systems*. JFMIP requirements documents identify (1) a framework for financial management systems, (2) core financial systems requirements, and (3) 16 other financial and mixed systems supporting agency operations, not all of which are applicable to all agencies. Figure 1 is the JFMIP model that illustrates how these systems interrelate in an agency's overall systems architecture.

Figure 1: Agency Systems Architecture



Source: JFMIP *Guaranteed Loan System Requirements* (March 2000).

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<sup>1</sup>JFMIP is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget (now OMB), and the Comptroller General and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management (OPM), joined JFMIP in 1966.

To date, JFMIP has issued the framework and systems requirements for the core financial system and 7 of the 16 systems identified in the architecture. (See figure 1.)<sup>2</sup>

We are issuing this checklist that reflects JFMIP's revised *Guaranteed Loan System Requirements* (March 2000) to assist (1) agencies in implementing and monitoring their guaranteed loan systems and (2) managers and auditors in reviewing agency guaranteed loan systems to determine if they substantially comply with FFMIA. This checklist is not required to be used in assessing the guaranteed loan system. It is provided as a tool for use by experienced staff. This checklist, the JFMIP source document, OMB Circular A-127, and OMB's *Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996*, issued September 9, 1997, should be used concurrently. Experienced judgment must be applied in the interpretation and application of this tool to enable a user to consider the impact of the completed checklist on the entire guaranteed loan system and whether the system, as a whole, substantially complies with requirements.

### **Authoritative Guidance**

OMB Circular A-127 and OMB's implementation guidance provide the basis for assessing whether agencies implement and maintain their financial management systems in substantial compliance with FFMIA. The implementation guidance identifies various criteria that an agency must meet to substantially comply with these requirements. One of the criteria listed in the OMB guidance is the JFMIP systems requirements series.

The source of all the questions in this checklist is the JFMIP *Guaranteed Loan System Requirements* (JFMIP-SR-00-01, March 2000). This document provides high level functional requirements for guaranteed loan systems that will provide the capability for financial managers and others to control and account for guaranteed loan program assets, liabilities, and resources as defined in governmentwide and agency-specific statutes, regulations, and guidelines. The March 2000 document is an update of the December 1993 JFMIP *Guaranteed Loan System Requirements* document. The primary purposes of this update are to reflect (1) changes in statutes, regulations, and technology that have occurred since the document was originally published (e.g., passage of the Chief Financial Officers Act of 1990, FFMIA of 1996), (2) changes brought about by the National Performance Review (NPR), and (3) increased availability of commercial off-the-shelf (COTS) software packages. It should be noted, however, that the checklist is based on the existing published JFMIP standards and that changes in laws, regulations, and standards and practices since the standards were issued are not included in the checklist.

The revised JFMIP document segregates functional requirements into two general categories, mandatory and value-added. The mandatory requirements, based on federal

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<sup>2</sup>Thus far, the series includes the (1) *Framework for Federal Financial Management Systems*, (2) *Core Financial System Requirements*, (3) *Inventory System Requirements*, (4) *Seized Property and Forfeited Assets System Requirements*, (5) *Direct Loan System Requirements*, (6) *Guaranteed Loan System Requirements*, (7) *Travel System Requirements*, (8) *Human Resources & Payroll Systems Requirements*, and (9) *System Requirements for Managerial Cost Accounting*. In early 1998, JFMIP decided to initiate projects to update system requirements documents that were not current with regulations and legislation. JFMIP also planned to initiate projects to complete the remaining systems requirements where none currently exist.

laws and regulations, describe what the system must do and consist of the minimum acceptable functionality necessary to establish a system. Mandatory requirements are those against which agency heads evaluate their systems to determine substantial compliance with system requirements under FFMIA. These requirements apply to existing systems in operations and new systems planned or under development. The checklist uses “(M)” immediately following the question to indicate that it is mandatory for the system to do that.

The value-added requirements describe features or characteristics and may consist of any combination of the following: (1) using state-of-the-art technology, (2) employing the preferred or best business practices, or (3) meeting the special management needs of an individual agency. Value-added, optional, and other similar terminology may be used to describe this category of requirements. Agencies should consider value-added features when judging systems options. The need for these value-added features in agency systems is left to the discretion of each agency head. The checklist uses “(V)” immediately following the question to indicate that the item is value-added rather than mandatory.

### **How to Use This Checklist**

OMB’s 1997 implementation guidance provides chief financial officers and inspectors general with a means for determining whether their agencies’ financial management systems substantially comply with federal financial management systems requirements. The annual reporting required pursuant to section 4 of the Federal Managers’ Financial Integrity Act (FMFIA) is one of the means to assist agencies in the determination of substantial compliance. Agencies can also use this checklist as a tool to help determine annual compliance with section 4 of this act.<sup>3</sup>

Filling out this checklist will allow agencies to systematically determine whether specific system requirements are being met. In determining substantial compliance, agencies should assess the results of the completed checklist on the guaranteed loan system requirements taken as a whole.

The checklist contains three columns with the first citing the question followed by either “(M)” for mandatory requirements or “(V)” for value added. Use the second column to answer each question “yes,” “no,” or “na.” Use the third column to explain your answer. A “yes” answer should indicate that the agency’s guaranteed loan system provides for the capability described in the question. For each “yes” answer, the third column should contain a brief description of how the guaranteed loan system satisfies that capability and should also refer to a source that explains or shows the capability.

A “no” answer indicates that the capability does not exist. For a “no” answer, the third column should provide an explanation and, where applicable, a reference to any related supporting documentation (e.g., the agency is working on modifying or implementing its guaranteed loan system to have the capability available in subsequent years; management believes the capability is not cost effective and will not enhance the guaranteed loan

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<sup>3</sup>In addition, the Chief Financial Officers’ (CFO) Council has charged the Financial Systems Committee with developing implementation guidance for performing FFMIA and other compliance reviews. The CFO Council and JFMIP plan to jointly issue the guidance.

system's ability to manage operations). Cost-benefit studies, or other reasoning, that supports a "no" answer should be identified in the explanation column. If there are no cost-benefit studies or other support, a full explanation should be provided.

"No" answers should not be viewed individually or taken out of context. Rather, "no" answers should be assessed as to their impact on the overall guaranteed loan system and the extent to which the "no" answers inhibit the entire guaranteed loan system from meeting substantial compliance.

Certain questions within the checklist may not be applicable to the agency. Answer such nonapplicable question(s) with "na" and provide an appropriate explanation in the third column.

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## GUARANTEED LOAN SYSTEM REQUIREMENTS

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The guaranteed loan system requirements document provides an overview of guaranteed loan system requirements (the checklist questions for this area are drawn from pp. 10-17 of the JFMIP source document); introduction to functional requirements (the checklist questions for this area are drawn from p. 20 of the JFMIP source document); functional requirements for the seven functions described below: (1) lender management, (2) guarantee extension and maintenance, (3) portfolio management, (4) acquired loan servicing, (5) delinquent debt collection, (6) Treasury cross-servicing, and (7) other reporting requirements and records retention requirements (the checklist questions for this area are drawn from p. 64 of the JFMIP source document).

1. Lender management supports analysis of lenders' program eligibility and monitors lender performance to ensure that only qualified and financially sound lenders participate in federal guaranteed loan programs. (The checklist questions for this area are drawn from pp. 21-27 of the JFMIP source document.)
2. Guarantee extension and maintenance supports the accounting and documentation requirements for the evaluation of the guarantee request, the extension of the guarantee by the federal agency, and the monitoring of the guarantee. (The checklist questions for this area are drawn from pp. 28-35 of the JFMIP source document.)
3. Portfolio management supports the management and evaluation of the guaranteed loan program and its portfolios of outstanding guaranteed loans and acquired loans. (The checklist questions for this area are drawn from pp. 36-42 of the JFMIP source document.)
4. Acquired loan servicing encompasses the procedures for default claim review and payment in accordance with guarantee agreements and regulations, as well as the invoicing and collection procedures for acquired loans and the foreclosure and liquidation of property for collateralized loans acquired by the government. (The checklist questions for this area are drawn from pp. 43-50 of the JFMIP source document.)
5. Delinquent debt collection/troubled debt servicing includes the recovery of delinquent debt through the use of dunning letters, offset programs, collection agencies, garnishment of nonfederal wages, litigation, and termination of collection action on uncollectible debt. It also includes the foreclosure and liquidation of property for collateralized loans acquired by the government. (The checklist questions for this area are drawn from pp. 51-58 of the JFMIP source document.)
6. Treasury cross-servicing occurs when Treasury's Financial Management Service (FMS) or a Treasury-designated debt collection center provides debt collection services for other federal agencies. (The checklist questions for this area are drawn from pp. 59-62 of the JFMIP source document.)

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## Guaranteed Loan System Requirements

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7. Other reporting requirements provides for two types of reporting (1) transaction history and (2) external reporting requirements. (The checklist questions for this area are drawn from p. 63 of the JFMIP source document.)

The checklist questions follow the JFMIP source document. It should be noted that not all questions will apply in all situations and, as with the use of any checklist, professional judgment should be exercised. Using the JFMIP source document and its “Appendix B: Glossary,” which defines terms used, along with the two previously mentioned OMB documents, will help ensure that the user is cognizant of the background information necessary to fully understand the questions.

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
1. Does the guaranteed loan system being designed and implemented, or in use, operate in accordance with laws, regulations, and judicial decisions? It is the responsibility of the agency to be knowledgeable of the legal requirements governing its system. <b>(M)</b>		
2. Do functional requirements not mandated by law, regulation, directive, or judicial decision result in cost-effective systems that are in the interest of the government? <b>(M)</b>		
3. Have all possible alternatives for meeting the requirements been considered? <b>(M)</b>		
4. Has the agency carefully determined which value-added requirements are necessary for each credit program? <b>(M)</b>		
5. Has the agency developed an efficient, effective, and economical strategy for interfacing, or logically integrating, its guaranteed loan systems (or subsystems) with other systems (or subsystems) that provide information to, or utilize information from, standard guaranteed loan systems? <b>(M)</b>		
6. Are the data in optional processes consistent with standard guaranteed loan systems that contain the official records for the agency? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Relationship with other systems</b></p> <p>7. Is the system capable of interfacing with other financial management systems (e.g., the core financial system, the managerial cost accounting system, common processes for managing receivables, capabilities related to collecting delinquent debt, and the property management system)? <b>(M)</b></p>		
<p>8. Does the system interact with the core financial system to perform fund control checks, initiate or record payments, and record the results of other guaranteed loan-related financial transactions, and acknowledge receipt of financial information exchange? <b>(M)</b></p>		
<p>9. Does the system perform automatic system balancing? <b>(M)</b></p>		
<p>10. Does the system balancing ensure that guaranty loan partners involved in a financial information exchange agree on transaction number and dollar values passed, processed, and rejected? <b>(M)</b></p>		
<p>11. Does the automated system balancing include cumulative subsidiary account balancing to the general ledger? <b>(M)</b></p>		
<p>12. Does the automated system balancing ensure that guaranty loan partners reflect the same picture of valid transactions</p>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
over a specified period of time, normally a month? <b>(M)</b>		
13. Is the system capable of supporting managerial cost accounting and credit subsidy reestimates? <b>(M)</b>		
14. If the agency acquires property serving as collateral on a defaulted guaranteed loan, does the system provide the property management system with the information needed to manage and liquidate the collateral? <b>(M)</b>		
<p><b>Relationship with other systems – system interface functioning verification</b></p> <p>15. Does a team, independent of the development organization, perform all verifications to ensure that the system is capable of interfacing with other financial management systems? <b>(M)</b></p>		
16. Does verification include intersystem testing to ensure that the system can process incoming and outgoing data for other interfaces for the guaranty loan program? This testing will ensure that the guaranty loan system can accept data files, process them correctly, and transmit the necessary transactions to other systems. <b>(M)</b>		
17. Does verification include having all intersystem vendors involved with the testing create and		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
accept a comprehensive test plan? (M)		
18. Does verification include having a team, independent of the development organization, review requirements, test plans, and scenarios; monitor test execution; and ensure that testing objectives are met? (M)		
19. Does verification include the team, independent of the development organization, working as a partner in the development effort, gaining system-specific knowledge while reviewing processes, outputs, and techniques to ensure compliance with procedures and quality results? (M)		
20. Are issues, when they arise, tracked through a configuration management (CM) tool? (M)		
21. Are resolutions included in testing sign-off documentation when issues are resolved? (M)		
22. Does the review, other than test execution, include, at a minimum, the following: requirements traceability matrix, functional requirements document, detail design document, system specifications, and manual procedures? (M)		
<b>Relationship with other systems – system interface functioning verification –</b>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<b>requirements traceability matrix</b>  23. Is the system able to demonstrate that all development requirements are incorporated into the final system output through the use of requirements traceability matrices? <b>(M)</b>		
24. Are the matrices submitted with the preliminary design document? <b>(M)</b>		
25. Are the matrices updated with each subsequent step in the enhancement effort (i.e., requirements should be traced through preliminary design, detailed design, specifications, test plans, and test results)? <b>(M)</b>		
<b>Relationship with other systems – system interface functioning verification – functional requirements document</b>  26. Does the system perform work needed to accomplish the specified outcomes, achieve or exceed the specified performance standards, record and reconcile money, and track report activity? <b>(M)</b>		
<b>Relationship with other systems – system interface functioning verification – detail design document</b>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
27. Does the detail design fully consider requirements for hardware, software, integration with other systems, security, telecommunications, data management, manual procedures, quality assurance/quality control (QA/QC), auditability, and capacity planning and management? <b>(M)</b>		
28. Does the detail design document the design in system/subsystem specifications, program specifications, and database specifications? <b>(M)</b>		
<p><b>Relationship with other systems – system interface functioning verification – system specifications</b></p> <p>29. Are system/subsystem specifications, program specifications, and database specifications all included within the detail design document? <b>(M)</b></p>		
30. Do the specifications include, at a minimum, flowcharts, input/output processing, and file layouts? <b>(M)</b>		
<p><b>Relationship with other systems – system interface functioning verification – manual procedures</b></p> <p>31. Are all system modifications or maintenance changes incorporated into manual</p>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
procedures and functions as necessary to keep the procedures up-to-date? <b>(M)</b>		
32. Does system testing ensure that all related manual procedures perform according to system requirements? <b>(M)</b>		
<b>Relationship with other systems – post-implementation testing</b>  33. Are transactions reviewed to make sure that they are processing correctly and that the data being produced are reliable after the system is implemented? <b>(M)</b>		
34. Is the testing conducted with actual production data? <b>(M)</b>		
35. Is the testing done with the team, independent of the development organization, verifying expected results? <b>(M)</b>		
36. Are daily, monthly, quarterly, and fiscal/calendar year-end reports reviewed prior to dissemination, whenever possible, to ensure that the data have been updated correctly? <b>(M)</b>		
<b>Relationship with other systems – configuration management</b>  37. Is configuration management (CM) used to establish and maintain the security and integrity of the system throughout its development life cycle? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>38. Does the comprehensive CM provide all project team members with a consistent level of understanding of the system engineering process, maintain systems stability, and reduce technical risk associated with the development effort? <b>(M)</b></p>		
<p><b>Data requirements</b></p> <p>39. Does the system store, access, and/or update these seven types of data:</p> <ul style="list-style-type: none"> <li>• Lender/servicer information?</li> <li>• Guarantee information?</li> <li>• Claim information?</li> <li>• Acquired loan information?</li> <li>• Program criteria?</li> <li>• Core financial system information?</li> <li>• External organizational information?</li> </ul> <p>In the JFMIP document, a grouping of related types of data is referred to as an information store. The term information store (rather than database or file) is used to avoid any reference to the technical or physical characteristics of the data storage medium. <b>(M)</b></p>		
<p>40. Has the agency determined the actual data storage (physical databases and files) during system development and implementation based on the loan program's statutory requirements and the agency's technical environment, processing volumes,</p>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
organizational structure, and degree of system centralization or decentralization? (M)		
<p><b>Data requirements – information stores internal to the guaranteed loan system – lender/servicer information</b></p> <p>41. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Lender/servicer application data?</li> <li>• Lender/servicer review data?</li> <li>• Approved lender/servicer data?</li> <li>• Lender/servicer status? (M)</li> </ul>		
<p><b>Data requirements – information stores internal to the guaranteed loan system – guarantee information</b></p> <p>42. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Guarantee data (e.g., lender, loan amount, guarantee level, loan status, subsidy information, interest rate, and loan terms)?</li> <li>• Collateral data (e.g., appraised value, status; mandatory unless specifically excluded by program requirements)?</li> <li>• Borrower data (e.g., borrower’s name, address, social security number (SSN) or taxpayer identification number (TIN), financial data)?</li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<ul style="list-style-type: none"> <li>• Guarantee fees due and/or collected? (M)</li> </ul>		
<p>43. Does the information store include rejected guarantee data (e.g., lender, reason for rejection)? (V)</p>		
<p><b>Data requirements – information stores internal to the guaranteed loan system – claim information</b></p> <p>44. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Claim application data?</li> <li>• Claim status? (M)</li> </ul>		
<p><b>Data requirements – information stores internal to the guaranteed loan system – acquired loan information</b></p> <p>45. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Acquired loan data?</li> <li>• Acquired loan status?</li> <li>• Acquired loan collateral data?</li> <li>• Payment history? (M)</li> </ul>		
<p><b>Data requirements – information stores internal to the guaranteed loan system – program criteria</b></p> <p>46. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Lender eligibility?</li> <li>• Lender financial rating?</li> <li>• Lender risk rating?</li> <li>• Portfolio evaluation?</li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<ul style="list-style-type: none"> <li>• Creditworthiness? (Mandatory unless specifically excluded by program requirements.)</li> <li>• Borrower eligibility?</li> <li>• Guarantee fees?</li> <li>• Fee penalty?</li> <li>• Claim application evaluation?</li> <li>• Invoicing?</li> <li>• Receipt application rules?</li> <li>• Debt collection?</li> <li>• CAIVRS (credit alert interactive voice response system) referral?</li> <li>• Credit bureau reporting?</li> <li>• Treasury offset referral?</li> <li>• Collection agency selection?</li> <li>• Litigation referral?</li> <li>• Write-off? <b>(M)</b></li> </ul>		
<p>47. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Close-out?</li> <li>• Loan sale? <b>(V)</b></li> </ul>		
<p><b>Data requirements – information stores external to the guaranteed loan system – core financial system information</b></p> <p>48. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Budget execution data?</li> <li>• Receivables?</li> <li>• Disbursement data?</li> <li>• Collections/receipts?</li> <li>• Administrative costs?</li> <li>• Principal and interest data?</li> <li>• Acquired asset data?</li> <li>• Collateral? <b>(M)</b></li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>System overview</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Data requirements – information stores external to the guaranteed loan system – external organizational information</b></p> <p>49. Does the information store include the following data:</p> <ul style="list-style-type: none"> <li>• Lender rating data?</li> <li>• Treasury interest rates?</li> <li>• SF-1151s (Non-Expenditure Transfer Authorization) and SF-1081s (Voucher and Schedule of Withdrawals and Credits)?</li> <li>• Loan status?</li> <li>• Sale approval?</li> <li>• Collection activities and results?</li> <li>• Write-off approval?</li> <li>• Foreclosure data? <b>(M)</b></li> </ul>		
<p>50. Does the information store include sale proceeds? <b>(V)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Introduction to functional requirements</b>	<b>Yes/no na</b>	<b>Explanation</b>
1. Are the following functions supported by the system? <ul style="list-style-type: none"> <li>• Lender management?</li> <li>• Guarantee extension and maintenance?</li> <li>• Portfolio management?</li> <li>• Acquired loan servicing?</li> <li>• Delinquent debt collection?</li> <li>• Treasury cross-servicing?</li> <li>• Other reporting requirements? <b>(M)</b></li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<b>General requirements – lender eligibility process – process lender application</b>		
1. Does the automated system record and update lender application information, ensuring that all required data are present and valid (e.g., nine-digit numeric taxpayer identification number (TIN))? <b>(M)</b>		
2. Does the automated system document that any required lender application fee has been received and calculated correctly? <b>(M)</b>		
3. Does the automated system provide an automated interface with the core financial system to record the receipt of any application fee? <b>(M)</b>		
<b>General requirements – lender eligibility process – evaluate lender eligibility</b>		
4. Does the automated system compare lender application information against information on firms currently debarred/suspended from participating in a government contract or delinquent on a debt to the government? <b>(M)</b>		
5. Does the automated system compare lender application information against information concerning the lender’s financial credentials from banking regulatory agencies,		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
rating services, and other information sources? <b>(M)</b>		
6. Does the automated system compare lender application information against lender performance data? <b>(M)</b>		
7. Does the automated system compare lender application information against qualification requirements for principal officers and staff? <b>(V)</b>		
<b>General requirements – lender eligibility process – approve/disapprove lender application</b>  8. Has the agency consummated an agreement in accordance with the requirements defined in OMB Circular A-129, <i>Policies for Federal Credit Programs and Non-Tax Receivables</i> (January 1993), for approved lenders? <b>(M)</b>		
9. Does the automated system update the lender information store to reflect the agency’s decision on the lender application? <b>(M)</b>		
10. Does the automated system maintain data on lender disapprovals as an historical reference to support effective monitoring of future lenders? <b>(M)</b>		
11. Does the automated system generate and electronically transmit a notice to inform the lender of approval or		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
disapproval of the lender's application? (V)		
12. Does the automated system record text comments related to approval or disapproval of the lender application? (V)		
<b>General requirements – lender eligibility process – establish lender agreement</b>  13. Does the agreement (agency's contractual relationship with the approved lender) state program requirements, lender and agency responsibilities, due diligence standards, reporting standards, and loan servicer participation requirements? (M)		
14. Does the automated system record relevant data concerning the lender agreement? (M)		
15. Does the automated system document that the lender agreement has been consummated by the agency and lender? (M)		
16. Does the automated system provide a tracking mechanism to identify expiring agreements needing renewal? (M)		
17. Does the automated system generate the lender agreement for signature by the lender? (V)		
18. Are annual or special reviews conducted for high-volume lenders/servicers or lenders/servicers with poor performance? (M)		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>General requirements -- lender/servicer monitoring process – monitor lender/servicer performance</b></p> <p>19. Do agreements between lenders and servicers specify that loan servicers must meet applicable participation requirements and performance standards? <b>(M)</b></p>		
<p>20. Does the agreement also specify that servicers acquiring loans must provide any information necessary for the lender to comply with reporting requirements to the agency? <b>(M)</b></p>		
<p>21. Does the automated system compare lender/servicer financial and performance information against agency portfolio evaluation criteria to identify lenders/servicers for regular or special review? <b>(M)</b></p>		
<p>22. Does the automated system compute performance statistics for effective monitoring, including delinquency rates, default rates, and claim rates? <b>(M)</b></p>		
<p>23. Does the automated system compute a quantified risk for each lender/servicer? The risk is quantified by weighting appropriate risk factors (e.g., loan volume, delinquency rate, default rate) based on the correlation between the risk factors and lender/servicer performance. <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
24. Does the automated system compare the quantified lender/servicer risk to risk rating criteria to assign a risk rating to each lender/servicer (e.g., high, medium, low)? <b>(M)</b>		
25. Does the automated system enter high-risk lenders/servicers on a problem watchlist and generate a notice to each affected lender/servicer? <b>(V)</b>		
<p><b>General requirements -- lender/servicer monitoring process – support lender/servicer reviews</b></p> <p>26. Does the agency document the on-site review findings of lenders/servicers to evaluate their performance against program standards and requirements and submit them to agency review boards? <b>(M)</b></p>		
27. Does the automated system provide historical performance information on lenders and servicers identified for review to the review team? <b>(M)</b>		
28. Does the automated system provide for scheduling and tracking of the review team’s activities? <b>(V)</b>		
29. Does the automated system document review results including date of review, name(s) of reviewer(s), and any deficiencies and associated explanations? <b>(V)</b>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
30. Does the automated system record text comments relevant to the review process? <b>(V)</b>		
<b>General requirements -- lender/servicer monitoring process – assess corrective action</b>  31. For minor noncompliances, do the agencies and lender/servicer agree on corrective actions? <b>(M)</b>		
32. Has the agency defined the decertification process and established timetables by which decertified lenders may apply for reinstatement in accordance with OMB Circular A-129? <b>(M)</b>		
33. Does the automated system update the status of lenders and servicers that do not comply with agency standards for continued program participation or do not correct deficiencies identified through reviews in a reasonable period of time? <b>(M)</b>		
34. Does the automated system provide data to support corrective action plans such as penalties and/or sanctions? <b>(M)</b>		
35. Does the automated system record penalties and/or sanctions imposed by the agency review board on those lenders or servicers found to be in serious and frequent noncompliance with federal program standards? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
36. Does the automated system generate a notice to inform the lender/servicer of a finding of noncompliance (electronically, where appropriate), including any penalties or sanctions and the right to appeal? <b>(V)</b>		
37. Does the automated system document and track corrective action plans agreed to by the agency and the lender/servicer, including proposed resolution dates, and update lender/servicer data to reflect any changes in status resulting from the corrective actions? <b>(V)</b>		
38. Does the automated system document and track appeals received from the lender/servicer and agency appeal decisions and generate a decision notice to the lender/servicer? <b>(V)</b>		
<p><b>Collateral requirements</b></p> <p>(Note: There are no collateral requirements applicable to the lender management function.)</p>		
<p><b>Internal management information requirements</b></p> <p>39. Are the internal management information requirements (lender eligibility activity, completed reviews, lender performance, exceptions) available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis? <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
40. Has the agency determined the specific management information needs necessary to manage its credit programs based on the agency's mission and its applicable statutory requirements? <b>(M)</b>		
41. Does the system, in order to support the above needs, provide a user-friendly query tool (preferably graphics-based) that facilitates reporting rapidly on any required data elements? <b>(M)</b>		
42. Does the agency maintain financial accounting information at appropriate levels of summary (transaction, loan history, risk category, cohort, account) for computational and reporting purposes? <b>(M)</b>		
43. Has the agency determined whether the information should be provided on hard copy reports or through system queries? <b>(M)</b>		
<p><b>Internal management information requirements – lender eligibility activity</b></p> <p>44. Does the lender eligibility summary provide information about the number of lender applications received, approved, and disapproved in a period? The purpose of this data summary is to monitor the lender application activity of the agency and the disposition of the lender applications. <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Lender management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Internal management information requirements – completed reviews</b></p> <p>45. Does the summary convey the results of the lender reviews completed during the reporting period? <b>(M)</b></p>		
<p>46. Does the summary describe any recommended actions resulting from the lender reviews? <b>(M)</b></p>		
<p><b>Internal management information requirements – lender performance</b></p> <p>47. Does the summary present the overall performance of each lender’s portfolio, including total losses across fiscal years? The purpose of this data summary is to identify lenders with consistently high default rates or other poor performance for agency review and evaluation. <b>(M)</b></p>		
<p><b>Internal management information requirements – exceptions</b></p> <p>48. Does the summary highlight deficiencies in the lender management function? An example of exception data is a list of lenders who are not in compliance with agency and statutory requirements and who have not been penalized or decertified. <b>(M)</b></p>		
<p>49. Is the data summary generated periodically or on demand as needed? <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>General requirements</b></p> <p>1. Does the agency provide guidance to its lenders for determining a borrower's creditworthiness? <b>(M)</b></p>		
<p>2. Does the agency train its personnel to evaluate the lender's analysis of creditworthiness? <b>(M)</b></p>		
<p><b>General requirements – guaranteed request evaluation process – process request for loan guarantee</b></p> <p>3. Does the automated system record critical data on the lender's guarantee request to support the guarantee evaluation process? <b>(M)</b></p>		
<p>4. Does the automated system provide access to guarantee request information to each individual participating in the guarantee decision? <b>(M)</b></p>		
<p>5. Does the automated system record text comments relevant to the guarantee decision? <b>(V)</b></p>		
<p><b>General requirements – guaranteed request evaluation process – verify borrower program eligibility and creditworthiness</b></p> <p>6. Does the automated system, where applicable, compare borrower information on the lender's guarantee request to</p>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
agency program borrower eligibility criteria? <b>(M)</b>		
7. Does the automated system, where applicable, check the appropriate system data files to determine whether a lender has recently submitted a duplicate guarantee request for the applicant or a guarantee request for the applicant has been previously denied? <b>(M)</b>		
8. Does the automated system, where applicable, document whether the applicant has previously defaulted on debt to the federal government? <b>(M)</b>		
9. Does the automated system, where applicable, compare the applicant's creditworthiness information to system-stored program creditworthiness criteria and assign a credit risk rating to the applicant, unless specifically excluded by program requirements? <b>(M)</b>		
10. Does the automated system, where applicable, document that the lender obtained a credit bureau report? <b>(V)</b>		
11. Does the automated system, where applicable, document that the borrower's financial data, repayment ability, and repayment history have been verified? <b>(V)</b>		
<b>General requirements – guaranteed request evaluation process – conduct funds control</b>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>12. Does the automated system provide the information needed to compute the credit subsidy amount associated with a loan guarantee using projected cash flows and the applicable Treasury interest rate in accordance with OMB Circular A-34, <i>Instructions on Budget Execution</i>; OMB Circular A-11, <i>Preparation and Submission of Budget Estimates</i> (updated annually); and Statement of Federal Financial Accounting Standards (SFFAS) No. 2, <i>Accounting for Direct Loans and Loan Guarantee</i>. (M)</p>		
<p>13. Does the automated system provide an automated interface with the core financial system to determine if (1) sufficient funds are available in the program account and, if available, (2) lending limits in the financing account are sufficient to cover the subsidy cost and the face value of the proposed guarantee? (M)</p>		
<p><b>General requirements – guaranteed request evaluation process – approve/reject guarantee request</b></p> <p>14. Does the automated system reflect the approved guarantee status? (M)</p>		
<p>15. Does the automated system accept, identify, track, and report supervisor overrides of system-generated acceptance/rejection recommendations? (M)</p>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
16. Does the automated system create and maintain a system record of rejected guarantee requests? <b>(M)</b>		
17. Does the automated system notify the lender of approval or disapproval (electronically where appropriate)? <b>(V)</b>		
<b>General requirements – guaranteed origination process – issue loan guarantee</b>  18. Does the automated system record the cohort and risk category, as defined in OMB Circular A-34, <i>Instructions on Budget Execution</i> , associated with the guaranteed loan? <b>(M)</b>		
19. Does the automated system assign a unique account number to the guaranteed loan that remains unchanged throughout the life of the guarantee? <b>(M)</b>		
20. Does the automated system generate a guarantee endorsement to confirm that the loan is guaranteed and transmit it to the lender (electronically where possible)? <b>(M)</b>		
21. Does the automated system calculate and record the guarantee origination fee in accordance with the terms and conditions of the guarantee agreement? <b>(M)</b>		
22. Does the automated system record collections of origination fees received? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
23. Does the automated system provide an automated interface with the core financial system to record the guaranteed loan commitment, the obligation for the related subsidy, and the origination fee, receivable, and collection? <b>(M)</b>		
24. Does the automated system transmit the origination fee invoice to the lender? <b>(V)</b>		
<p><b>General requirements – guaranteed origination process – document lender loan disbursement</b></p> <p>25. Does the automated system provide an automated interface with the core financial system to record the outlay of subsidy from the program account? <b>(M)</b></p>		
26. Does the automated system record information on loan disbursements by the lender, including amounts and applicable Treasury interest rates, to support interest computations and subsidy reestimates, unless specifically excluded by program requirements? <b>(M)</b>		
27. Does the automated system provide the capability to receive electronic transmission of disbursement data by the lender? <b>(V)</b>		
28. Does the automated system provide the capability for		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
reporting loan closing information? (V)		
<b>General requirements – guaranteed loan maintenance process – document loan modifications</b>  29. Does the automated system support reevaluation of the modified loans in accordance with OMB Circular A-34 and program policy? (M)		
30. Does the automated system reflect the modified status of the guaranteed loan? (M)		
31. Does the automated system establish a new loan account and collateral record for each new debt instrument? (M)		
32. Does the automated system assign a unique loan account number to the new account record? (M)		
33. Does the automated system maintain a link between the new loan account established for the new debt instrument and the old loan account records? (M)		
34. Does the automated system perform a funds control check to verify the availability of subsidy through an automated interface with the core financial system? (M)		
35. Does the automated system provide an automated interface with the core financial system to record the subsidy changes		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
associated with the guaranteed loan modification? <b>(M)</b>		
<b>General requirements – guaranteed loan maintenance process – process fees</b>		
36. Does the automated system compare guaranteed loan data to guaranteed fee criteria to determine which lenders owe guarantee fees? <b>(M)</b>		
37. Does the automated system compute the amount of the guarantee fee? <b>(M)</b>		
38. Does the automated system identify those lenders with overdue fee payments and calculate penalties on loans for lenders who have not submitted guarantee fee payments? <b>(M)</b>		
39. Does the automated system generate invoices, including penalties assessed for late payment, for guarantee fee payments due from lenders (electronically where possible)? <b>(M)</b>		
40. Does the automated system provide an automated interface with the core financial system to record the receipt of guarantee fees from lenders? <b>(M)</b>		
<b>General requirements – guaranteed loan maintenance process – record interest supplement payments</b>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
41. Does the automated system identify guaranteed loans requiring interest supplement payments? <b>(M)</b>		
42. Does the automated system compare current interest rates to the interest rates in the agreement to determine the appropriate levels of interest supplements required? <b>(M)</b>		
43. Does the automated system recognize the interest supplement payment as an interest subsidy expense and a loan guarantee interest supplement liability? <b>(M)</b>		
44. Does the automated system provide an automated interface with the core financial system to initiate and record disbursements for interest supplement payments? <b>(M)</b>		
45. If the guaranteed loan system handles the payment processing, does it meet the requirements in the <i>Core Financial System Requirements</i> related to payments and send summary data to the core financial system? <b>(M)</b>		
<b>Collateral requirements</b>		
46. Does the automated system capture the estimated useful economic life of the pledged collateral and compare it to the proposed term of the loan? <b>(V)</b>		
47. Does the automated system document that transactions over a predetermined amount		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
identified by program requirements have a collateral appraisal by a licensed or certified appraiser? <b>(V)</b>		
48. Does the automated system compute the loan-to-value ratio and flag those loans with a ratio exceeding applicable program requirements? <b>(V)</b>		
<b>Internal management information requirements</b>  49. Are the internal management information requirements (approval and rejection monitoring, override expectations, potential application fraud, approval/rejection statistics, detailed transaction history, median loan-to-value ratio, loan guarantee fee collection, loan guarantee periodic fee collection, and exceptions) available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis? <b>(M)</b>		
50. Has the agency determined the specific management information needs necessary to manage its credit programs based on the agency's mission and its applicable statutory requirements? <b>(M)</b>		
51. Does the system, in order to support the above needs, provide a user-friendly query tool (preferably graphics-based) that facilitates reporting rapidly		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
on any required data elements? (M)		
52. Does the agency maintain financial accounting information at appropriate levels of summary (transaction, loan history, risk category, cohort, account) for computational and reporting purposes? (M)		
53. Has the agency determined whether the information should be provided on hard copy reports or through system queries? (M)		
<p><b>Internal management information requirements – approval and rejection monitoring</b></p> <p>54. Does the approval and rejection monitoring summary provide information about all credit applications that were approved or rejected for a given time period? (M)</p>		
55. Are the data broken down into separate statistics on credit approvals and rejections? (M)		
56. Does the approval section indicate the number of approved applications and the percentage of total applications that they represent? (M)		
57. Are the total requested amount and the total approved amount shown for each loan origination office? (M)		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
58. Does the rejected application section contain the number of rejected applicants and the percentage of total applications they represent? (M)		
59. Is the total of all loans requested also shown? (M)		
60. Does the summary also list the average time spent to process a credit application, from the time of application until the final decision is made? (M)		
<p><b>Internal management information requirements – override expectations</b></p> <p>61. Does the override expectations summary identify all credit application decisions that override the action recommended by the automated system processes? Overrides can occur in two situations: an application is approved even though the borrower’s program eligibility or creditworthiness assessment is not acceptable under agency program management criteria, or an application is rejected even though the applicant’s program eligibility and creditworthiness are acceptable under agency program management criteria. (M)</p>		
<p><b>Internal management information requirements – potential application fraud</b></p> <p>62. Does the potential application fraud summary provide all applications that matched one</p>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>or more pending or recently rejected applications?            Comparison is based on four criteria: applicant name, applicant address, applicant phone number, and applicant taxpayer identification number (TIN). If a pending application matches any of these criteria, the data fields that matched and the original application and pending application identification numbers will appear on this data summary with primary application identification information. (M)</p>		
<p><b>Internal management information requirements – approval/rejection statistics</b></p>		
<p>63. Does the approval/rejection statistics summary contain statistics on guarantee approvals and rejections? (M)</p>		
<p>64. Is the data summary broken down into separate statistics on guarantee approvals and rejections? (M)</p>		
<p>65. Does the approval section indicate the number of approved applications and the percentage of total applications that they represent? (M)</p>		
<p>66. Are the total requested amount and total approved amount shown for each guarantee origination office? (M)</p>		
<p>67. Does the rejected application section contain the number of rejected applicants and the</p>		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
percentage of total applications that they represent? (M)		
68. Is the total of all guarantees requested also shown? (M)		
<b>Internal management information requirements – detailed transaction history</b>  69. Does the detailed transaction history summary contain detailed loan guarantee and account data? The data summary is used for control and tracking and also as an audit trail. (M)		
70. Is the information presented by program for both the current and prior reporting period? (M)		
<b>Internal management information requirements – median loan-to-value ratio</b>  71. Is the median loan-to-value ratio summary used to track the median loan-to-value ratios for guarantees written by each regional office? The median loan-to-value ratio is the mid-point in the range of portfolio loan-to-value ratios. (M)		
<b>Internal management information requirements – loan guarantee fee collection</b>  72. Is the loan guarantee fee collection summary used to monitor guarantee origination fee collections? (M)		

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**Guaranteed Loan System Requirements**

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<b>Guarantee extension and maintenance</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Internal management information requirements – loan guarantee periodic fee collection</b></p> <p>73. Is the loan guarantee periodic fee collection summary used to monitor the periodic loan guarantee fee collection activity? <b>(M)</b></p>		
<p><b>Internal management information requirements – exceptions</b></p> <p>74. Does the exceptions summary highlight deficiencies in guarantee origination processing? <b>(M)</b></p>		
<p>75. Is the exceptions summary (e.g., a list of approved requests that have not been processed in a specified period of time) generated periodically or on demand as needed? <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>General requirements – portfolio performance process – process guaranteed loan status reports from lender</b></p> <p>1. Does the automated system receive and document loan guarantee information from lenders (electronically where appropriate)? <b>(M)</b></p>		
<p>2. Does the automated system maintain standard information on the history and status of each guaranteed loan (e.g., borrower identification, amount and nature of debt, loan originator, holder, and/or servicer)? <b>(M)</b></p>		
<p>3. Does the automated system maintain data from the lender that identifies delinquent accounts and potential defaults? <b>(M)</b></p>		
<p>4. Does the automated system provide agency access to the loan status information? <b>(M)</b></p>		
<p>5. Does the automated system receive and record lender substitution and/or transfer data, i.e., secondary market sales (electronically where possible)? <b>(M)</b></p>		
<p>6. Does the automated system accept lender data by cohort and risk category? <b>(M)</b></p>		
<p><b>General requirements – portfolio performance process – compute portfolio performance measures</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
7. Does the system's performance measurement highlight program trends to prompt reexamination of agency policies as conditions warrant? <b>(M)</b>		
8. Is the value of a given performance measure examined within the context of the total cost to the agency using the measure? <b>(M)</b>		
9. Does the automated system compute and maintain program performance information (e.g., number and dollar value of loans made, average loan size, loans made by geographical region, number and amount of defaulted loans, number and amount of claims paid, amount of loan write-offs)? <b>(M)</b>		
10. Does the automated system compute and maintain financial measures to help assess the credit soundness of a loan program (e.g., overall portfolio risk rate, average loan-to-value ratio (for collateralized programs), write-offs as a percentage of seriously delinquent acquired loans, net proceeds on real property sold compared to appraised value, loan loss rates, recovery rates, loan currency rates)? <b>(M)</b>		
11. Does the automated system maintain portfolio data needed to help determine the effectiveness of use of agency resources (e.g., administrative cost per loan guarantee approved, administrative cost per acquired loan serviced,		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
administrative cost per dollar collected, time required to process a loan guarantee application)? (M)		
12. Does the agency reestimate subsidy costs upwards or downwards to reflect differences in interest rates, technical assumptions, and expected changes in current and future conditions that have occurred between the time of budget formulation and loan disbursement? (M)		
13. Does the agency use the funds management function of the core financial system to record the appropriations, apportionments, and limitations associated with the program account and financing account for each credit program? (M)		
14. Does the system access the core financial system to perform funds control validation? Accounting for and controlling administrative expenses related to credit programs can be accomplished in the core financial system, so this activity would not normally be included in the guaranteed loan system. (M)		
<p><b>General requirements – program financing process – support Treasury borrowing calculations</b></p> <p>15. Are subsidy amounts estimated so as to cover the costs of any payments of guarantee claims for defaulted loans? (M)</p>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
16. Does the automated system execute SF-1151s and record amounts borrowed from Treasury to cover temporary shortfalls in the subsidy estimates? <b>(M)</b>		
17. Does the automated system track the amount of uninvested funds in the financing account as needed to support interest earnings calculations? <b>(M)</b>		
18. Does the automated system compute interest expense on borrowings and interest earnings on uninvested funds? <b>(M)</b>		
19. Does the automated system execute and record repayment of principal using SF-1151s and interest to Treasury using SF-1081s? <b>(M)</b>		
20. Does the automated system execute and record receipt of interest earnings from Treasury on uninvested funds using SF-1081s? <b>(M)</b>		
<b>General requirements –            program financing process –            support subsidy reestimates</b>  21. Does the reestimate of each cohort cash flow include claims paid and fees collected, defaults, delinquencies, recoveries, etc.? <b>(M)</b>		
22. Does the reestimate of each cohort cash flow include prepayments and collections of principal, interest, and fees		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
when the agency acquires the guaranteed loan? <b>(M)</b>		
23. Does the automated system support the reestimate of the subsidy cost for each cohort and risk category of loans at the beginning of each fiscal year in accordance with OMB Circular A-34 and SFFAS No. 2? <b>(M)</b>		
24. Does the automated system maintain cash flow data that permits comparison of actual cash flows each year (and new estimates of future cash flows), as well as historical data from prior years to the cash flows used in computing the latest loan subsidy estimate? <b>(M)</b>		
25. Does the automated system compare the current year reestimated subsidy cost to prior years reestimated loan subsidy costs to determine whether subsidy costs for a risk category increased or decreased? <b>(M)</b>		
26. Does the automated system transfer loan subsidy from those risk categories with an excess of loan subsidy to those risk categories in the same cohort that are deficient in loan subsidy to provide adequate funding for each risk category? <b>(M)</b>		
27. Does the automated system group those cohorts that need indefinite appropriation loan subsidy funds separately from those cohorts that have excess funds? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
28. Does the automated system support the request for an apportionment and obligate funds to cover the subsidy increase for those cohorts of loans that have insufficient subsidy? <b>(M)</b>		
29. Does the automated system transfer excess subsidy of cohorts of loans to the special-fund receipt account? <b>(M)</b>		
30. Does the system support the reestimate calculation and provide the necessary data to record the reestimate in the core financial system? <b>(M)</b>		
<p><b>General requirements – support subsidy estimate – loan characteristics</b></p> <p>31. Does the loan system maintain data that are predictive of loan performance and subsidy costs? Loan characteristics maintained in a loan system will vary greatly from program to program. <b>(M)</b></p>		
32. Is the information obtained from either the loan system, the core financial system, or other data repository within or outside the agency? <b>(M)</b>		
<p>33. Does the agency collect at least the following loan characteristics:</p> <ul style="list-style-type: none"> <li>• Loan number? Cash flows should be maintained at the individual loan level, even though analysis might often be done at the cohort level.</li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>Cash flows, such as receipts from property disposition, must be tracked back to the original loan via the loan number or other data element used to identify the original loan.</p> <ul style="list-style-type: none"> <li>• Date of obligation? This information is necessary for reviewing historical cohort data, since cohorts are defined by year of obligation, and for relating loan behavior to other dated variables.</li> <li>• Loan terms and conditions? A system should maintain the actual loan terms, including maturity, interest rate, and up-front and/or annual fees. These data are critical for comparing actual payments to scheduled payments and for measuring the relationship between default risk and loan terms and conditions. The system should be able to calculate and report, as necessary, the aggregate repayment schedule for a cohort.</li> <li>• Changes in loan terms and conditions? Any change in terms and conditions needs to be recorded in addition to the original terms and conditions, not in place of them. These data are needed both to reestimate the subsidy cost and to establish a basis for estimating new subsidies.</li> <li>• Borrower location? Agencies may choose to collect several location elements, such as zip code, congressional district code,</li> </ul>		

**Guaranteed Loan System Requirements**

<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>approving office code, and servicing office code for regional analysis.</p> <ul style="list-style-type: none"> <li>• Borrower creditworthiness? Since creditworthiness may be a strong predictor of defaults, the loan system should include measures of the financial condition of the business or individual receiving the loan and past credit experience, unless specifically excluded by program requirements.</li> <li>• Loan use? Tracking the intended loan use may reveal a significant variance in cost depending on the use of loan proceeds.</li> <li>• Program-specific data? Other loan characteristics may also be important in predicting default. The loan-to-value ratio is a critical data element for predicting housing loan defaults; for student loans, the type of educational institution may be important; the value of collateral is required unless specifically excluded by program requirements. (M)</li> </ul>		
<p><b>General requirements – support subsidy estimate – economic data</b></p> <p>34. Does the system maintain the primary economic factors that influence loan performance? The critical indicators will vary across programs. For housing loans, among other factors, property values and house appreciation rates should be monitored. For programs that</p>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>determine a borrower's interest rates based on the borrower's income, all economic data on incomes should be maintained in either the guaranteed loan system, the core financial system, or another data repository within or outside the agency. <b>(M)</b></p>		
<p><b>General requirements – support subsidy estimate – historical cash flows</b></p> <p>35. Are all cash transactions related to each loan maintained in the system to allow for trend analysis? <b>(M)</b></p>		
<p>36. Has the agency considered grouping transactions by the type of cash flows that are projected in loan program subsidy estimates since transactions may be identified by a wide variety of transactional codes? These groupings will vary from program to program, depending on the way cash flows are projected for subsidy estimates. Examples of information groupings, which may be modified to fit actual loan programs, include:</p> <ul style="list-style-type: none"> <li>• Guaranteed amount.</li> <li>• Disbursement amount and disbursement rate for each year.</li> <li>• Up-front fee.</li> <li>• Annual fees.</li> <li>• Interest subsidies.</li> <li>• Claims paid and guarantees terminated.</li> <li>• Defaulted loan data</li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
including both the timing and amount. <ul style="list-style-type: none"> <li>• Delinquencies.</li> <li>• Recoveries (including both the timing and amount) on defaulted loans by recovery method such as sale of collateral or offset programs.</li> <li>• Loan-to-value ratios.</li> <li>• Scheduled principal and interest payments (if the agency acquires and services the loan).</li> <li>• Actual principal and interest payments (if the agency acquires and services the loan).</li> <li>• Prepayment including timing and amount.</li> <li>• Repayment activity. <b>(M)</b></li> </ul>		
37. Does the agency obtain the above information from either the guaranteed loan system, the core financial system, or other data repository (such as microfiche or CD-ROM that permits easy retrieval of data) within or outside the agency? <b>(M)</b>		
<b>Collateral requirements</b>  (Note: There are no collateral requirements applicable to the portfolio management function.)		
<b>Internal Management Information Requirements</b>  38. Are the internal management information requirements (e.g., detailed transaction history, profile of guaranteed loan portfolio, and program credit		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
reform status) available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis? <b>(M)</b>		
39. Has the agency determined the specific management information needs necessary to manage its credit programs based on the agency’s mission and applicable statutory requirements? <b>(M)</b>		
40. Does the agency maintain financial accounting information at appropriate levels of summary for computational and reporting purposes (transaction, loan history, risk category, cohort, and account)? <b>(M)</b>		
41. Has the agency determined whether the information should be provided on hard copy reports or through system queries? <b>(M)</b>		
42. Does the system provide at least the following types of management information: <ul style="list-style-type: none"> <li>• Detailed transaction history?</li> <li>• Profile of guaranteed loan portfolio?</li> <li>• Program credit reform status? <b>(M)</b></li> </ul>		
<b>Internal management information requirements – detailed transaction history</b>		

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**Guaranteed Loan System Requirements**

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<b>Portfolio management</b>	<b>Yes/no na</b>	<b>Explanation</b>
43. Does the detailed transaction history summary identify, for each cohort, the number and amount of loan guarantees in each phase of the guaranteed loan life cycle? <b>(M)</b>		
44. Does the information provided include the number of loans current and delinquent, the number of loans for which a claim has been submitted, and the total number and value of loans in the portfolio? <b>(M)</b>		
<b>Internal management information requirements – profile of guaranteed loan portfolio</b>  45. Does the profile of guaranteed loan portfolio summary provide a year-to-date profile of each guaranteed loan program, with comparisons to the prior year’s loan guarantee activity? <b>(M)</b>		
<b>Internal management information requirements – program credit reform status</b>  46. Does the program credit reform status summary provide the status of the fiscal year’s credit reform appropriations and subsidy levels? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>General requirements</b></p> <p>1. Has the agency ensured that the lender has taken all appropriate steps to collect a debt including foreclosure and liquidation of any collateral? <b>(M)</b></p>		
<p><b>General requirements – claim processing process – evaluate claim application</b></p> <p>2. If the lender has foreclosed and liquidated any collateral and still has a balance due, does the agency pay the claim and attempt to collect the deficient amount based on statutory requirements and agency policy? <b>(M)</b></p>		
<p>3. Does the automated system record key claim data, maintain data on original and, if applicable, final claims? <b>(M)</b></p>		
<p>4. Does the automated system compare the claim application information to the agency program claim application evaluation criteria? <b>(M)</b></p>		
<p>5. Does the automated system suspend processing for claims that are incomplete until corrected? <b>(M)</b></p>		
<p>6. Does the automated system identify claims not meeting agency program requirements and notify the lender of the rejection? <b>(M)</b></p>		
<p>7. Does the automated system document and track information</p>		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
on accepted and rejected claims and the reason for the rejections? <b>(M)</b>		
8. Does the automated system reflect the status of the claim? <b>(M)</b>		
9. Does the automated system have edits to address claims issues? <b>(M)</b>		
10. Does the automated system record or track claims errors? <b>(M)</b>		
<b>General requirements – claim processing process – process authorized claim for payment</b>  11. Does this activity support underlying details for the payment of an approved guaranteed loan claim to the lender? <b>(M)</b>		
12. Does the automated system calculate the claim payment to be made, making adjustments for any disallowed amounts or authorized debt collection activities? <b>(M)</b>		
13. Does the automated system provide an automated interface with the core financial system to initiate a disbursement of the claim payment to the lender? <b>(M)</b>		
14. If the system processes payments, does it meet the requirements in the <i>Core Financial System Requirements</i>		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
related to payment data in the core financial system? <b>(M)</b>		
15. Does the automated system record acquired loan information and establish appropriate accounting entries, such as a receivable? <b>(M)</b>		
16. Does the agency ensure that invoices are generated promptly and that efficient mechanisms are in place to collect and record payments and to provide support for loan servicing? <b>(M)</b>		
17. Are borrowers encouraged to use preauthorized debit or credit cards when making loan payments? <b>(M)</b>		
<b>General requirements – account status maintenance process – evaluate delinquent debtors for collection or write-off</b>  18. Does the automated system identify accounts for which collection is to be pursued? <b>(M)</b>		
19. Does the automated system identify accounts that should be written-off? <b>(M)</b>		
<b>General requirements – account status maintenance process – invoice debtor</b>  20. Does the automated system calculate outstanding balances for each loan account invoiced, including principal, interest, late		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing charges, and other amounts due? (M)</b>	<b>Yes/no na</b>	<b>Explanation</b>
21. Does the automated system identify loan accounts to be invoiced based on agency program invoicing criteria and loan account information? (M)		
22. Does the automated system generate and transmit an invoice to each borrower? (M)		
23. Does the invoice include, at a minimum, borrower ID, amount due, date due, the date after which the payment will be considered late, and the current balance? (M)		
24. Does the automated system provide for automatic acceleration of delinquent installment payment notes based on the acceleration clause? (M)		
25. Does the automated system track and age receivables by type? (M)		
26. Does the automated system provide an automated interface with the core financial system to record accrual of interest, administrative charges, and penalties for delinquent loan accounts? (M)		
<b>General requirements – account status maintenance process – apply collections</b>		
27. Does the automated system apply collections according to		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
agency program receipt application rules to the appropriate liquidating or financing account? <b>(M)</b>		
28. Does the automated system record a partial, full, or late payment indicator? <b>(M)</b>		
29. Does the automated system identify payments that cannot be applied? <b>(M)</b>		
30. Does the automated system document the reasons why the payments cannot be applied? <b>(M)</b>		
31. Does the automated system provide an automated interface with the core financial system to record the collection? <b>(M)</b>		
32. If the system processes collections, does it meet the requirements in the <i>Core Financial System Requirements</i> related to collections? <b>(M)</b>		
33. If the system processes collections, does it send summary data to the core financial system? <b>(M)</b>		
<b>Foreclose and liquidate collateral requirements – foreclose on collateral process—prepare foreclosure materials</b>  34. Does the automated system provide information on collateral for use in the foreclosure process? <b>(M)</b>		
35. Does the automated system update the acquired loan		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
information store with additional information obtained during the foreclosure preparation process, such as recent appraisal values and property condition? <b>(M)</b>		
36. Does the automated system calculate outstanding principal, interest, and penalties for each loan with collateral to be foreclosed? <b>(M)</b>		
<b>Foreclose and liquidate collateral requirements – foreclose on collateral process—foreclose</b>  37. Does the automated system provide information to generate a foreclosure notice to the borrower? <b>(M)</b>		
38. Does the automated system transmit information necessary for the foreclosure to the Department of Justice and/or agency Office of General Counsel? <b>(M)</b>		
39. Does the automated system record the results of the foreclosure proceedings and title conveyance to the agency? <b>(M)</b>		
40. Does the automated system provide an automated interface of data on acquired collateral to the property management system for management and liquidation of the property? <b>(M)</b>		
41. Does the automated system provide an automated interface		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
to the core financial system to record the value of the property acquired and to reduce the receivable amount? <b>(M)</b>		
<b>Foreclose and liquidate collateral requirements – manage/dispose of collateral process – manage collateral</b>  42. Does the automated system generate payments to property management contractors for services rendered? <b>(M)</b>		
43. Does the automated system track, record, and classify operations and maintenance expenses related to the acquired collateral? <b>(M)</b>		
44. Does the automated system document rental income and other collections related to the acquired collateral? <b>(M)</b>		
45. Does the automated system post the expenses and income to the core financial system through an automated interface? <b>(M)</b>		
<b>Foreclose and liquidate collateral requirements – manage/dispose of collateral process – dispose of collateral</b>  46. Does the automated system update the acquired loan information store to record receipts resulting from the liquidation of acquired collateral and the disposition of the collateral? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
47. Does the automated system identify any deficiency balances remaining for the loan after collateral liquidation for further collection activities? (M)		
48. Does the automated system provide an automated interface to the core financial system and the property management system to record disposal of the property and associated receipts? (M)		
<p><b>Internal management information requirements</b></p> <p>49. Are the following minimum internal management information requirements available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis:</p> <ul style="list-style-type: none"> <li>• Guaranteed loan claim activity?</li> <li>• Summary data of claim losses paid out?</li> <li>• Detailed transaction history?</li> <li>• Standard management control/activity?</li> <li>• Exceptions?</li> <li>• Portfolio sale historical payments?</li> <li>• Portfolio sale performance?</li> <li>• Collateral management activity and expense? (M)</li> </ul>		
50. Has the agency determined the specific management information necessary to manage its credit programs		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
based on the agency's mission and applicable statutory requirements? (M)		
51. Does the agency maintain financial accounting information at appropriate levels of summary (transaction, loan history, risk category, cohort, and account) for computational and reporting purposes? (M)		
52. Has the agency determined whether the information should be provided on hard copy reports or through system queries? (M)		
<b>Internal management information requirements – guaranteed loan claim activity</b>		
53. Is the summary used to monitor trends in claim activity over time? (M)		
54. Is the information presented at the cohort level for the current year and prior years? (M)		
<b>Internal management information requirements – summary data of claim losses paid out</b>		
55. Is the summary used to compare the estimated claim losses of guaranteed loan programs to the actual losses incurred by the program? (M)		
<b>Internal management information requirements – detailed transaction history</b>		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
56. Does the summary provide detailed loan account data and payment transaction activity to give a detailed history of applied and unapplied payments? <b>(M)</b>		
<b>Internal management information requirements – standard management control/activity</b>		
57. Does the summary track the status of all loan accounts by summarizing loan activity at various critical points of the loan cycle? <b>(M)</b>		
58. Does the collection process summarize payment activity to allow agency management to monitor the effectiveness of each activity in the collection process? <b>(M)</b>		
59. Is the delinquency information summarized to highlight delinquent debt (collateralized and noncollateralized) and modified debt? <b>(M)</b>		
60. Is this data summary produced periodically? <b>(M)</b>		
61. Does the summary provide information for preparing the SF-220-9 and SF-220-8? <b>(M)</b>		
<b>Internal management information requirements – exceptions</b>		
62. Does the summary identify deficiencies that have occurred in the routine processing and monitoring of account status? Examples of exceptions include		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
unapplied payments and delinquent accounts not eligible for debt collection tools. (M)		
63. Is the summary generally produced periodically? (M)		
<b>Internal management information requirements – portfolio sale historical payments</b>  64. Does the summary provide a detailed payment history for each loan included in the portfolio selected for sale? Historical payment data is critical in order to assess the investment value of the portfolio to be offered for sale and in determining the structure and terms of the sale. (M)		
<b>Internal management information requirements – portfolio sale performance</b>  65. Does the summary provide the rating agencies and financial advisors with statistics to more effectively evaluate portfolio characteristics performance? Statistics include loan-to-value ratios, effective yields, and loss estimates. (M)		
<b>Internal management information requirements – collateral management activity and expense</b>  66. Does the summary provide detailed and summary data of collateral management activity and expense data for monitoring collateral management activities		

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**Guaranteed Loan System Requirements**

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<b>Acquired loan servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
that affect the value of the agency-owned property prior to disposition? <b>(M)</b>		
67. Is all income earned and are expenses incurred while the collateral is in the agency's possession are these recorded and tracked to support the agency's ability to recover the expenses? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
1. Does the agency that repurchases and services its guaranteed loans or are assigned collection rights when loss claims are paid comply with the Debt collection Improvement Act of 1996? <b>(M)</b>		
2. Has the agency established a collection strategy consistent with its statutory program authority that seeks to return the debtor to a current payment status or, failing that, maximize the collections that can be realized? <b>(M)</b>		
<p><b>General requirements – collection actions process – report delinquent debt</b></p> <p>3. Does the automated system identify delinquent commercial and consumer accounts for reporting to credit bureaus (preferably by electronic interface) by comparing reporting criteria to delinquent loan data? <b>(M)</b></p>		
4. Does the automated system calculate outstanding balances, including interest, penalties, and administrative charges, and include this information in credit bureau records? <b>(M)</b>		
5. Does the automated system generate (or include in demand letters) a notice to inform the borrower of the referral of a delinquent debt to a credit bureau in accordance with regulations? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
6. Does the automated system maintain a record of each account reported to credit bureaus to allow tracking of referred accounts? <b>(V)</b>		
7. Does the automated system identify delinquent commercial and consumer accounts for reporting to CAIVRS by comparing reporting criteria to delinquent loan data? <b>(V)</b>		
8. Does the automated system generate (or include in demand letters) a notice to inform the borrower of the referral of a delinquent debt to CAIVRS in accordance with regulations? <b>(V)</b>		
9. Does the automated system prepare data on appropriate medium, on a monthly basis, of delinquent debtors to be included in the CAIVRS database? <b>(V)</b>		
<b>General requirements – collection actions process – contact with the debtor</b>  10. Does the automated system generate and transmit dunning letters to debtors with past-due loan accounts? <b>(M)</b>		
11. Does the automated system identify debtors who do not respond to dunning letters within a specified time period? <b>(M)</b>		
12. Does the automated system track demand letters and borrower responses to		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
document borrower due process notification (and borrower willingness and ability to repay debt)? <b>(M)</b>		
13. Does the automated system track and document debtor appeals received in response to demands for payment? <b>(M)</b>		
14. Does the system provide automated support to the collection process? <b>(M)</b>		
15. If so, is support provided for activities such as contacting a delinquent borrower by phone; documenting contacts with a debtor and the results; documenting installment payments, rescheduling agreements, and debt compromise; generating management reports; and tracking the performance of individual agency collectors? <b>(M)</b>		
<b>General requirements – collection actions process – refer for Treasury offset</b>  16. Does the automated system identify accounts eligible for referral to the Treasury offset program (TOP)? <b>(M)</b>		
17. Does the automated system generate written notification to the borrower that includes the following:  <ul style="list-style-type: none"> <li>• The nature and the amount of the debt?</li> <li>• The intention of the agency to collect the debt through</li> </ul>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
administrative offset? <ul style="list-style-type: none"> <li>• An explanation of the rights of the debtor?</li> <li>• An offer to provide the debtor an opportunity to inspect and copy the records of the agency with respect to the debt?</li> <li>• An offer to enter into a written repayment agreement with the agency?</li> </ul> <b>(M)</b>		
18. Does the automated system identify, at the end of the notification period, the debtors who remain delinquent and are eligible for referral? <b>(M)</b>		
19. Does the automated system offset delinquent debts internally before referral to TOP, where applicable? <b>(M)</b>		
20. Does the automated system transmit to TOP eligible new debts, and increase, decrease, or delete previously reported debts? <b>(M)</b>		
21. Does the automated system apply collections received through the TOP process to debtor accounts in accordance with applicable payment application rules? <b>(M)</b>		
22. Does the automated system record offset fees in accordance with agency program requirements? <b>(M)</b>		
23. Does the automated system update the loan information store to reflect TOP status? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
24. Does the automated system update the core financial system to record collections from TOP? <b>(M)</b>		
25. Does the automated system process agency refunds given to borrowers erroneously and offset and transmit this information to Treasury on time? <b>(M)</b>		
26. Does the automated system record refunds given by Treasury and adjust the loan information store accordingly? <b>(M)</b>		
<p><b>General requirements – collection actions process – garnishment of nonfederal wages</b></p> <p>27. Does the agency give the debtor at least 30-days written notice of its intent to initiate garnishment proceedings? <b>(M)</b></p>		
28. Does the automated system generate a written notice informing the borrower of the agency’s intention to initiate proceedings to collect the debt through deductions from pay, the nature and amount of the debt to be collected, and debtors’ rights? <b>(M)</b>		
29. Does the automated system document that the wage garnishment order was sent to the employer? <b>(M)</b>		
30. Does the automated system provide an ad hoc reporting capability needed to monitor the		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
amounts recovered through nonfederal wage garnishment? <b>(M)</b>		
31. Does the automated system document that the agency provided debtors with a hearing, when requested? <b>(M)</b>		
32. Does the automated system interface with the core financial system to record receipts remitted to the agency? <b>(M)</b>		
33. Does the automated system apply collections received through wage garnishment according to agency application rules? <b>(M)</b>		
<p><b>General requirements – collection actions process – refer to collection agencies</b></p> <p>34. Does the automated system compare delinquent account data to agency program collection and agency referral criteria to select delinquent loan accounts for referral to collection agencies? <b>(M)</b></p>		
35. Does the automated system sort and group delinquent loan accounts based on type of debt (consumer or commercial), age of debt, and location of debtor? <b>(M)</b>		
36. Does the automated system calculate outstanding interest, penalties, and administrative charges for each delinquent loan account to be referred? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
37. Does the automated system assign selected delinquent loan account groupings to appropriate collection agencies based on collection agency selection criteria for agency programs? <b>(M)</b>		
38. Does the automated system document that the delinquent account has been referred to a collection agency? <b>(M)</b>		
39. Does the automated system generate and receive electronic transmissions of account balance data and status updates to and from collection agencies? <b>(M)</b>		
40. Does the automated system record receipts remitted to the collection agency and forwarded to the agency? <b>(M)</b>		
41. Does the automated system update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions? <b>(M)</b>		
42. Does the automated system accept and match collection agency invoices with agency records? <b>(M)</b>		
43. Does the automated system generate payment to the collection agency for services rendered through the core financial system? <b>(M)</b>		
44. Does the automated system request, reconcile, and record		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
returned accounts from collection agencies? <b>(M)</b>		
45. Does the automated system interface with the core financial system to record collections processed through collection agencies? <b>(M)</b>		
<b>General requirements – collection actions process – refer for litigation activities</b>  46. Are referrals to the Department of Justice (DOJ) made in accordance with the Federal Claims Collections Standards? <b>(M)</b>		
47. Does the automated system compare delinquent loan account information against the agency's litigation referral criteria to identify delinquent loan accounts eligible for referral? <b>(M)</b>		
48. Does the automated system support identification of accounts to be referred to counsel for filing of proof of claim based on documentation that a debtor has declared bankruptcy? <b>(M)</b>		
49. Does the automated system provide an electronic interface with credit bureaus to obtain credit bureau reports that will enable assessment of the debtor's ability to repay before a claim is referred to legal counsel? <b>(M)</b>		
50. Does the automated system calculate the outstanding		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
balance, including principal, interest penalties, and administrative charges, for each delinquent loan account to be referred to legal counsel? <b>(M)</b>		
51. Does the automated system generate the claims collection litigation report (CCLR)? <b>(M)</b>		
52. Does the CCLR capture collection actions and current debtor information and transmit this information to DOJ? <b>(M)</b>		
53. Does the automated system send and receive electronic transmissions of account data and status updates to and from DOJ's Central Intake Facility or the agency's Office of General Counsel's (OGC) automated system for referrals? <b>(M)</b>		
54. Does the automated system update loan status to reflect referral for litigation so that the loan can be excluded from other collection actions and to alert the agency to obtain approval from counsel before accepting voluntary debtor payment? <b>(M)</b>		
55. Does the automated system track filing of pleadings and other motions, including proofs of claims in bankruptcy, to ensure swift legal action and to monitor litigation activity? <b>(M)</b>		
56. Does the automated system match agency litigation referrals with the DOJ list of agency litigation referrals? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
57. Does the automated system record and track recovery of judgment decisions? <b>(M)</b>		
58. Does the automated system update the loan information store to reflect receipts and adjustments? <b>(M)</b>		
59. Does the automated system interface with the core financial system to record any collections resulting from litigation? <b>(M)</b>		
<p><b>General requirements – write-off and close-outs process – identify and document accounts selected for write-off</b></p> <p>60. Does the automated system compare delinquent loan account information to agency program write-off criteria to select delinquent loan accounts for possible write-off? <b>(M)</b></p>		
61. Does the automated system classify debtors based on financial profile and ability to repay? Indicators of the financial well-being of a debtor include debtor financial statements, credit bureau reports, and payment receipt history. <b>(M)</b>		
62. Does the automated system produce a CCLR for each loan account to be referred to agency counsel or DOJ for approval of termination of collection action? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
63. Does the automated system update the loan status to reflect the referral? <b>(M)</b>		
64. Does the automated system update the loan information store to reflect approval or disapproval by agency counsel or the DOJ for termination of the collection action? <b>(M)</b>		
65. Does the automated system update the loan information store and provide an automated interface with the core financial system to record the write-off of the receivable? <b>(M)</b>		
<p><b>General requirements – write-off and close-outs process – monitor written-off accounts</b></p> <p>66. Does the automated system maintain a suspense file of inactive (written-off) loan accounts? <b>(M)</b></p>		
67. Does the automated system reactivate written-off loan accounts at a system user’s request if the debtor’s financial status or the account status changes? <b>(M)</b>		
<p><b>General requirements – write-off and close-outs process – document close-out of uncollectible accounts</b></p> <p>68. Does the automated system compare loan account data to agency close-out criteria to identify debtor accounts eligible</p>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
for close-out and 1099-C reporting? <b>(M)</b>		
69. Does the automated system prepare and send a Form 1099-C to the Internal Revenue Service (IRS) if the debtor has not responded within the required time period? <b>(M)</b>		
70. Does the automated system update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions? <b>(M)</b>		
71. Does the automated system retain electronic summary records of close-out account activity for 5 years for use in agency screening of new loan applications? <b>(M)</b>		
<p><b>Collateral requirements</b></p> <p>(Note: There are no collateral requirements applicable to the portfolio management function.)</p>		
<p><b>Internal management information requirements</b></p> <p>72. Are the internal management information requirements (detailed transaction history, standard management control/activity, exceptions, trend analysis/performance, collection contractor compensation) available to agency credit program managers and designated internal review officials on a</p>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
periodic or on an as requested basis? (M)		
73. Has the agency determined the specific management information needs necessary to manage its credit programs based on the agency mission and applicable statutory requirements? (M)		
74. Is the agency maintaining financial accounting information at appropriate levels of summary (transaction, loan history, risk category, cohort, and account) for computational and reporting purposes? (M)		
75. Has the agency determined whether the information should be provided on hard copy reports or through system queries? (M)		
<p><b>Internal management information requirements – detailed transaction history</b></p> <p>76. Does the detailed transaction history summary provide detailed account information by cohort for internal control and tracking, and, in the absence of an electronic interface to external entities, can the history be used to transfer data from the agency to the external entity to facilitate delinquent debt collection actions? (M)</p>		
77. Are separate data summaries produced for offset referrals, collection agency referrals,		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
litigation referrals, and write-offs and close-outs? <b>(M)</b>		
<b>Internal management information requirements – standard management control/activity</b>  78. Does the standard management control/activity summary track the status of all referral activity including initial referrals, status updates, and account balance updates? <b>(M)</b>		
79. Are separate and summary lists produced for individual and total reporting and referral activity? <b>(M)</b>		
<b>Internal management information requirements – exceptions</b>  80. Does the exceptions summary highlight deficiencies that have occurred in the referral process? Examples of subjects for periodic exception information include delinquent accounts eligible for reporting that have not been reported, defaulted rescheduled loans, account referrals that can not be processed, collection agency resolution percentage, accounts without foreclosure or collateral management activity for a specified period of time, accounts referred for litigation for which no litigation decision has been recorded, and delinquent accounts without activity for long periods of time that have not been written-off. <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Delinquent debt collection/ troubled debt servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Internal management information requirements – trend analysis/performance</b></p> <p>81. Does the trend analysis/ performance summary highlight the effectiveness of different delinquent debt collection techniques over time? <b>(M)</b></p>		
<p>82. Does the summary indicate the effectiveness of using different types of collection actions for different credit programs? <b>(M)</b></p>		
<p><b>Internal management information requirements – collection contractor compensation</b></p> <p>83. Does the collection contractor compensation summary provide monthly account analyses to calculate, track, and verify compensation for each contractor providing collection services to an agency? This information aids in the verification of invoices received from the contractor and highlights the differences in fee schedules among contractors. <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Treasury cross-servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
1. Has the agency entered into a letter of agreement with Treasury Financial Management Service (FMS) authorizing FMS to provide debt collection services before referring debt to a debt collection center? <b>(M)</b>		
2. Does the agreement detail the limitations and parameters required for the compromise, settlement, or termination of collection action? <b>(M)</b>		
3. If applicable, has the agency submitted a proposal to Treasury that contains the documentation supporting its request to be designated as a debt collection center? <b>(M)</b>		
4. Does the proposal indicate what types of debts the agency wishes to cross-service and its success at collecting its own delinquent accounts? <b>(M)</b>		
5. Has the agency discontinued all servicing activities at the time the debt is referred to Treasury for cross-servicing? <b>(M)</b>		
<b>Identify accounts selected</b>  6. Does the automated system compare delinquent loan account information to statutory criteria to select delinquent loan accounts for possible referral? <b>(M)</b>		
7. Does the automated system generate notification to the debtor of the agency's intent to		

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**Guaranteed Loan System Requirements**

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<b>Treasury cross-servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
refer the debt to a debt collection center? <b>(M)</b>		
8. Does the automated system update the loan information store? <b>(M)</b>		
9. Does the automated system identify accounts that can no longer be serviced by agency personnel? <b>(M)</b>		
<b>Monitor accounts referred to the debt collection center</b>  10. Does the automated system identify accounts with monetary adjustments that must be reported to the debt collection center? <b>(M)</b>		
11. Does the automated system provide an ad hoc reporting capability needed to monitor the accounts referred to a debt collection center and the amounts recovered? <b>(M)</b>		
12. Does the automated system interface with the core financial system to record receipts remitted to the agency? <b>(M)</b>		
13. Does the automated system apply collections received from the debt collection center according to agency application rules? <b>(M)</b>		
14. Does the automated system record collection fees in accordance with agency program requirements? <b>(M)</b>		
15. Does the automated system process agency or debt		

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**Guaranteed Loan System Requirements**

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<b>Treasury cross-servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
collection center refunds, notify the debt collection center as appropriate, and update the loan information store? <b>(M)</b>		
16. Does the automated system notify the debt collection center of adjustments, recalls of debt, or collections received by the agency on the referred debt? <b>(M)</b>		
17. Does the automated system remove from the accounting and financial records accounts that the debt collection center recommends should be written off? <b>(M)</b>		
<b>Use an agency authorized to cross-service</b>  18. Does the automated system identify the volume and type of debts serviced? <b>(M)</b>		
19. Does the automated system identify the tools used by the agency to collect its own debt? <b>(M)</b>		
20. Does the automated system provide one or more years of information on the average age of debt over 180 days? <b>(M)</b>		
21. Does the automated system calculate the amount of debt collected using various collection tools? <b>(M)</b>		
22. Does the automated system accrue late charges, as required by the referring agency? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Treasury cross-servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
23. Does the automated system provide information to the referring agency sufficient for the referring agency to satisfactorily complete the Report on Receivables Due From the Public? <b>(M)</b>		
24. Does the automated system track, by portfolio, age of debt referred, dollar and number of referrals, collections on referred debts and monthly report to Treasury? <b>(M)</b>		
25. Does the automated system provide information to the referring agency as needed, i.e., collections received? <b>(M)</b>		
26. Does the automated system provide ad hoc reporting capability needed to satisfy referring agencies' unique information requests, such as length of workout agreements and percent of debt that can be compromised? <b>(M)</b>		
<b>Internal management information requirements</b>  27. Are the internal management information requirements available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis? <b>(M)</b>		
28. Has the agency determined the specific management information needs necessary to manage its credit programs based on the agency mission		

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**Guaranteed Loan System Requirements**

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<b>Treasury cross-servicing</b>	<b>Yes/no na</b>	<b>Explanation</b>
and applicable statutory requirements? <b>(M)</b>		
29. Does the agency maintain financial accounting information at appropriate levels of summary for computational and reporting purposes (transaction, loan history, risk category, cohort, and account)? <b>(M)</b>		
30. Has the agency determined whether the information should be provided on hard copy reports or through system queries? <b>(M)</b>		

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**Guaranteed Loan System Requirements**

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<b>Other reporting requirements</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p><b>Transaction history</b></p> <p>1. Is the system capable of producing a complete transaction history of each loan? <b>(M)</b></p>		
<p><b>External reporting requirements</b></p> <p>2. Is the system capable of supporting the external reporting requirements of OMB and Treasury, including those associated with the Federal Credit Reform Act (FCRA) of 1990 and the CFO Act of 1990? <b>(M)</b></p>		

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**Guaranteed Loan System Requirements**

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<b>Records retention</b>	<b>Yes/no na</b>	<b>Explanation</b>
<p>1. Is the destruction of agency records, created within the federal government, approved by NARA per 36 CFR 1228? For questions regarding the disposition of federal records, contact:</p> <p style="text-align: center;">Life Cycle Management Division National Archives and Records Administration 7<sup>th</sup> Street and Pennsylvania Avenue NW Washington, DC 20408.</p> <p>The telephone number is (301) 713-7110. <b>(M)</b></p>		

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